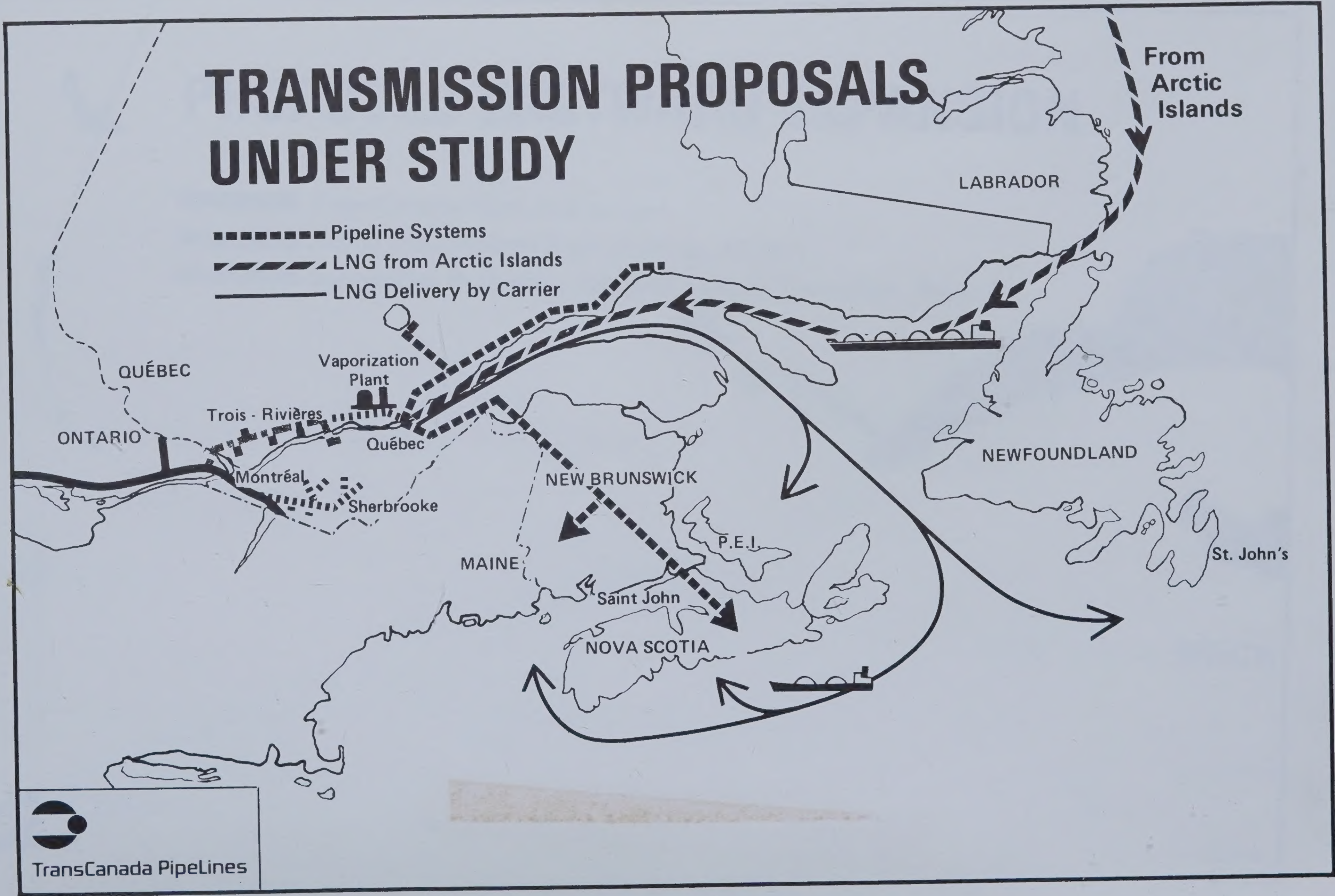
Information File

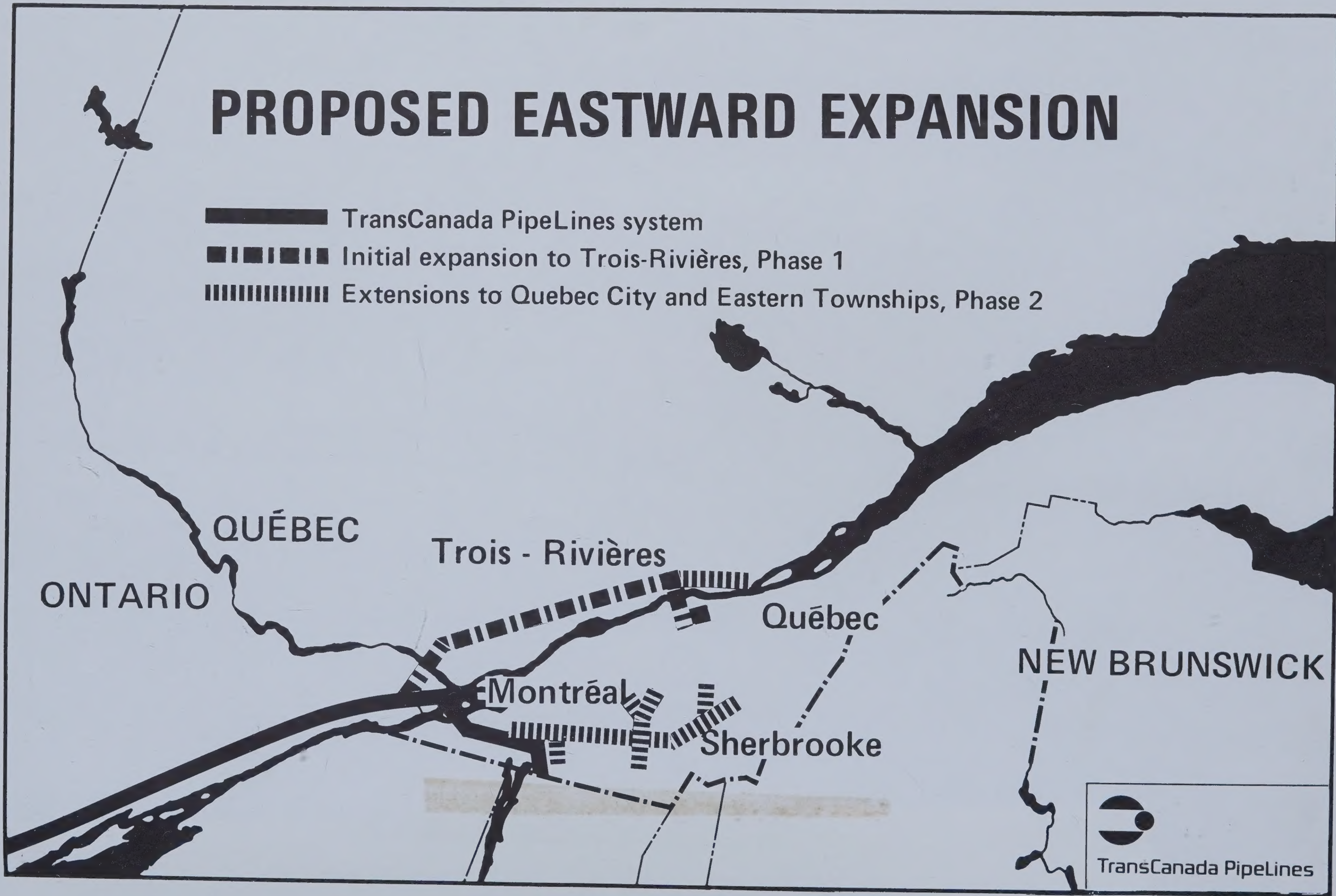
1978

TransCanada PipeLines

TransCanada is studying the feasibility of providing gas service to additional markets east of Quebec City and the Maritime provinces. This study calls for construction of a receiving and vaporization plant near Quebec City. Under study is a plan to transport liquefied natural gas by carrier from reserves in the High Arctic which might not be connected readily by pipeline. Also under study is a plan to service other markets east of Quebec City and the Maritimes by transporting gas by LNG carriers, by trucks or by the traditional pipeline method.


TRANSMISSION PROPOSALS UNDER STUDY
Pipeline Systems
LNG from Arctic Islands
LNG Delivery by Carrier
From Arctic Islands
LABRADOR
QUÉBEC
ONTARIO
Vaporization Plant
Trois - Rivières
Québec
Montréal
Sherbrooke
NEW BRUNSWICK
MAINE
P.E.I.
Saint John
NOVA SCOTIA
NEWFOUNDLAND
St. John's
TransCanada PipeLines

Application by TransCanada PipeLines to National Energy Board calls for extension of existing pipeline to Trois-Rivieres and Becancour. Second phase would be to extend pipeline to Quebec City and the Eastern Townships.


PROPOSED EASTWARD EXPANSION
TransCanada PipeLines system
Initial expansion to Trois-Rivières, Phase 1
Extensions to Quebec City and Eastern Townships, Phase 2
QUÉBEC
ONTARIO
Trois - Rivières
Québec
Montréal
Sherbrooke
NEW BRUNSWICK
TransCanada PipeLines

News Release

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CALGARY, Alta., April 5, 1978: A plan to extend natural gas service in Quebec and reduce Canada's dependence on foreign oil supplies has been submitted to the National Energy Board by TransCanada PipeLines.

In an application filed yesterday with the NEB, TransCanada is seeking approval to extend the Company's natural gas pipeline system to Trois-Rivieres and Becancour at a cost of $88 million. This would be the first phase of a two-phase project to extend the TransCanada system to Quebec City and the Eastern Townships area.

TransCanada is also studying the feasibility of providing gas service to additional markets in Quebec east of Quebec City and in the provinces of New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland.

James W. Kerr, Chairman and Chief Executive Officer of TransCanada, addressing the annual shareholders meeting here today, said the project, would help meet the Federal Government's objective of self-reliance in energy by substituting domestic natural gas for foreign oil.

Mr. Kerr also noted that the objective of self-reliance could also be furthered by a greater use of Alberta produced oil in central Canada.

TransCanada is also studying the feasibility of constructing a Liquefied Natural Gas (LNG) receiving and vaporizing plant near Quebec City with connections to the TransCanada system. This gas would be transported by carrier from the reserves in the High Arctic which might not be connected readily by pipeline. Feasibility studies are also being made of projects designed to carry gas to other areas of Quebec and the Maritime provinces either by pipeline, by truck or LNG carrier.

"It is one of the most extensive and imaginative projects undertaken by TransCanada since it began construction of its original system in 1956," said Mr. Kerr.

The first phase of the project would include approximately 130 miles of large diameter pipe to Trois-Rivieres, and 37 miles of smaller diameter lateral lines. In addition to serving new markets, the line will improve the security of service to the Montreal area, Mr. Kerr said. The second phase would consist of extending the TransCanada system to Quebec City and to the Eastern Townships area. Work on the first phase of this plan could be completed as early as November 1979 and on the second phase a year later.

Mr. Kerr said that the Company has been monitoring the situation in Quebec for several years. Following TransCanada's most recent in-depth study of the Quebec market, and concerns expressed by Quebec regarding its dependency on oil for more than 70% of the province's energy requirements and the enunciation of the self-reliance policy, it was decided

TransCanada is also examining the feasibility of constructing a liquefied natural gas (LNG) receiving and vaporizing plant near Quebec City with connections to the Trans-Quebec system. Such gas would be transported by tanker from the Arctic or the North Sea, and could be used to meet peaking requirements. Additionally, an option has been taken on 300 acres near Quebec to serve the eastern areas of Quebec and the Maritime provinces with LNG if necessary, by truck or LNG carrier.

"It is one of the most extensive and sophisticated projects undertaken by TransCanada since it began construction of its original system in 1956," said Mr. Kerr.

The first phase of the project would include approximately 240 miles of large diameter pipe to Trois-Rivières, and 37 miles of smaller diameter lateral lines. In addition to serving new markets, the line will improve the security of service to the Montreal area, Mr. Kerr said. The second phase would consist of extending the TransCanada system to Quebec City and to the Eastern Townships area. Work on the first phase of this plan could be completed as early as November 1979 and the second phase a year later.

Mr. Kerr said that the company has been considering the extension to Quebec for several years. Following TransCanada's most recent in-depth study of the Quebec market, and Quebec's expressed interest in gas taking its proportion to more than 70% of the province's energy requirements and the elimination of the oil-reliance policy, it was decided

that an expansion of the TransCanada system should take place as soon as possible.

Mr. Kerr noted that extensive market studies undertaken by TransCanada in Quebec have established that a large potential for increased consumption of natural gas in that province can be realized provided appropriate government action takes place regarding substitution of foreign oil.

TransCanada's studies indicate that increased annual sales of about 200 billion cubic feet of natural gas could develop over a five-year period in the Phase 1 and Phase 2 markets, including Montreal. This is equivalent to 100,000 barrels of oil a day, or roughly the production of one tar sands plant. By displacing such quantities of foreign oil, Canada's balance of payments would be improved by more than $500 million annually at current oil prices.

In regard to the plan to bring gas down from the Arctic Islands, Mr. Kerr said feasibility studies are still being conducted. "However," he said, "it is apparent that a project which would consist of a liquefaction plant at King Christian Island in the High Arctic, with LNG to be transported by ice-breaker carriers to a receiving terminal and vaporization facility near Quebec City is feasible." The estimated cost of such a project would be about $2 billion.

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TransCanada PipeLines

QUEBEC EXTENSION

BACKGROUND INFORMATION

The availability of natural gas in the province of Quebec began when TransCanada completed its pipeline facilities in the vicinity of Montreal and the first gas from western Canada began to flow through the system in 1958.

Market surveys prior to this event had indicated that penetration into the populous metropolitan area of Montreal would be largely at the expense of foreign oil.

However, the favorable marketing climate for natural gas created by the Suez crisis had dissipated by 1960 when world prices for fuel oil fell considerably.

In 1960 the Federal Government established an "Ottawa Valley Line" to keep out overseas oil west of the Ottawa Valley and reserved the remainder of Canada for western Canadian oil production. Thus, in Quebec, natural gas was forced to compete with the lower-priced imported oil.

As a result, the early years for the Quebec Natural Gas Company (predecessor of Gaz Métropolitain, inc.) the natural gas distribution company in the Montreal area, were plagued by financial difficulties.

In 1963/64 the Quebec Electricity and Gas Board held a public hearing to inquire into the extension of natural gas service outside the franchise area of the Quebec Natural Gas Company. The Board rendered its decision

in 1965, stating that it was impossible at that time to extend gas service beyond the existing franchise area.

By 1972 natural gas supplied only about 5% of the province of Quebec's energy needs as gas was unable to compete successfully with oil.

A "White Paper" produced by the Quebec Government in 1972 concluded it was desirable to achieve an increased use of natural gas in the overall energy requirements of the province.

An important first step towards the increased use of natural gas in Quebec became possible as a result of the decision by the National Energy Board in TransCanada's first rate case in 1973.

In that decision the NEB established an Eastern Rate Zone which included Toronto, southwestern Ontario and all of TransCanada's system within the province of Quebec. This equalized the price of gas for similar service in southern Ontario and Quebec.

The improved competitive marketing situation for natural gas in Quebec was soon affected by a further international event, namely, the decision of the OPEC nations to increase the world price of oil from about $2.20 per barrel to $11.50 per barrel in the fall of 1973.

Subsequently the Federal Government decided that the price of oil in Canada should rise by increments towards world price. Initially, oil

prices rose faster than regulated natural gas prices. Subsequently, exploration declined due primarily to the taxing and pricing dispute between the Federal and Alberta Governments. At the same time, demand for natural gas was substantially increased because gas was underpriced relative to oil and this resulted in forecasts of shortages in the near and medium term.

In 1975, the Federal and Alberta Governments established higher wellhead prices for natural gas with an ultimate view of achieving parity in oil and gas prices. This agreement did much to encourage exploration and production of gas in Alberta -- to the point where today we have a surplus supply -- but because the marketing of oil and gas are quite different, parity pricing has not been achieved. In Quebec the price of gas exceeds the price of oil.

With respect to Liquefied Natural Gas (LNG), TransCanada has been involved in substantial engineering, climatic and hydrology studies since 1973 in connection with the transportation of LNG and the siting of regasification plants in eastern Canada.

In November 1975, the Company initiated a study on LNG carrier shipments from King Christian Island in the High Arctic to Quebec City.

It has been determined from detailed analyses of Arctic ice surveys and icebreaker performance and ship capabilities that all phases required to implement such a project are technically feasible.

TCPL Application Details

Facilities: 167 miles total pipeline:

- 50 miles 30-inch pipeline
- 80 miles 24-inch pipeline
- 37 miles of smaller pipelines

Cost: $88 million

Commencement of construction: January 1979

In-Service Date: November 1, 1979

Major new markets served: Lachute, St. Jerome, Joliette, Berthierville, Louiseville, Trois-Rivieres, Becancour